GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:509
ANSWERED ON:18.11.2016
Embezzlement of Funds
Patle Smt. Kamla Devi

Will the Minister of FINANCE be pleased to state:

(a) whether a large number of incidents of embezzlement in the accounts of account holders have taken place in the public sector/private sector banks in different parts of the country;
(b) if so, the details thereof and the amounts involved in it during the last three years, State/UT and bank-wise;
(c) whether the Government has conducted any inquiry and if so, the details thereof;
(d) whether any official of the bank is involved therein and if so, the details thereof, bank-wise along with the action taken against the officers/staff involved in it;
(e) whether banks have refunded the embezzled amount to its customers and if so, the details thereof bank-wise during the said period, if not, the reasons therefor; and
(f) the remedial measures adopted/proposed to be adopted to check such incidents in future?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) & (b): Reserve Bank of India (RBI) maintains data for Public Sector Banks (PSBs)/Private Sector Banks(Pvt. SBs) under the category 'Frauds' which, inter-alia, includes cases of embezzlement of funds. Separate data for embezzlement is not maintained. However, details of fraud cases of Rs. 1 lakh and above reported by banks in deposit accounts (i.e. saving, current and term) are given State-wise in Annexure-1 and Bank-wise in Annexure-2.

(c) & (d) Fraud cases of Rs. 1 lakh and above reported by PSBs &PvtSBs in deposit accounts (i.e. saving, current and term) where staff is involved at the time of initial reporting are given in Annexure-3.

In all such cases of fraud, the bank undertakes an investigation and takes action including fixing of the staff accountability as per the applicable disciplinary rules.

(e) & (f) The Banks compensate customers in cases of embezzlement of funds as per RBI's Master Circular dated 01.07.2015 on "Customer Service in Banks" and the Banks' Board approved policy.

RBI has issued Master Direction on "Frauds − Classification and reporting" vide RBI. DBS.CFMC.BC.No.1/23.04.001/2016-17 dated July 01, 2016 containing all the details/aspects relating to frauds. The same is also available on the website of RBI i.e. www.rbi.org.in. To compress the time taken in detection of fraud, a framework for handling loan frauds has been put in place. Objective of this framework is to direct the focus of banks on the aspects relating to prevention, early detection, prompt reporting to the RBI and the investigative agencies (for instituting criminal proceedings against the fraudulent borrowers) and timely initiation of the staff accountability proceedings. The framework also seeks to stipulate time lines with the action incumbent on a bank.

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